

City of Sulphur Springs, Arkansas

Agreed-Upon Procedures Report

December 31, 2002

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF SULPHUR SPRINGS, ARKANSAS
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FOR THE YEAR ENDED DECEMBER 31, 2002

Independent Accountant's Report on Applying Agreed-Upon Procedures

Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Lavery
Senate Co-Vice Chair
Rep. David Evans
House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

Independent Accountant's Report on Applying Agreed-Upon Procedures

City of Sulphur Springs, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

We have performed the procedures enumerated below with respect to modified cash basis financial information and state law compliance which were agreed to by the management of the City and the Legislative Joint Auditing Committee for the City of Sulphur Springs, Arkansas as of and for the year ended December 31, 2002. Management is responsible for maintaining the financial records and complying with state law. This report is prepared in accordance with Ark. Code Ann. 10-4-202 but the procedures enumerated below were not performed for the following: Water and Sewer Department. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings for the General (including Department of Public Safety, Library, Parks and Act 988), Special Revenue (including Street, Fire/Act 833, Local Police and Fire Retirement and Court Automation) and Agency (including Firemen's Pension and Relief, City Court and Administration of Justice) Funds are as follows:

Cash and Investments

1. a. Perform a proof and reconciliation of cash for the year.
- b. Confirm the cash on deposit and investments with the depository institutions.
- c. Agree the proof of cash ending balances to the City book balances within 5% or \$500, whichever is greater.

We found no exceptions as a result of the procedures.

Receipts

2. a. Agree the deposits per the proof of cash for the year with the receipts per the City journal within 5% of deposits or \$500, whichever is greater.
- b. Determine that state turnback, sales taxes, fire protection funds and pension funds paid by the State of Arkansas were deposited in the proper fund.
- c. Agree one month's receipts issued with the receipts per the receipts journal within 5% of receipts issued or \$500, whichever is greater, for all funds except the Court Fund.
- d. If more than 500 receipts were issued for the Court Fund, agree two month's receipts issued with the receipts per the receipts journal.

We found no exceptions as a result of the procedures.

Disbursements

3. a. Agree the disbursements per the proof of cash for the year with the disbursements per the City journal within 5% of disbursements or \$500, whichever is greater.
- b. For 10% of disbursements (maximum of 30 for all funds, with at least one disbursement per fund except the Court Fund), determine that disbursements were documented and paid in accordance with any applicable code provisions. (Materiality level - 5% of the total dollars of selected disbursements or \$500, whichever is greater.)

We found no exceptions as a result of the procedures.

General Fixed Assets

4. a. Conduct a physical inventory of all additions over \$500 and prior years equipment items over \$5,000.
- b. Determine that additions and disposals were properly accounted for in the City records. (Materiality level - 5% of total General Fixed Assets equipment or \$500, whichever is greater.)

We found the following exception as a result of the above procedures:

The City was unable to locate or document the disposition of two (2) radios. The Director of Public Safety stated one (1) of the radios was apparently in a vehicle destroyed by fire and the other radio was apparently traded in for new radios.

General Long-Term Debt

5. Schedule long-term debt and verify changes in all balances for the year.

We found no exceptions as a result of the above procedures.

Uniform Traffic Tickets

6. Randomly select 10 uniform traffic tickets and trace them to the court docket and receipt for payment or to an outstanding warrant, the continued cases list or dismissal of the case by the Judge.

We found the following exceptions as a result of the above procedures:

Court dockets were not prepared for court cases.

State Law Compliance

7. Evaluate the extent to which the City complied with the following state laws as of and for the year ended December 31, 2002:
 - A. Municipal Accounting Law (14-59-101 et seq.)
 - B. City Courts Accounting Law (16-10-201 - 16-10-210)
 - C. Budgets (14-58-201 - 14-58-203)

The commentary contained in this section relates to the following officials that held office during 2002:

Mayor: Greg Barber
Recorder/Treasurer: Gloria Kruse
City Court Clerk: Regina L. Kuykendall (Employed October 21, 2002);
Jane Smith (Resigned October 18, 2002)
Director of Public Safety: Tim Franks

Instances of noncompliance are failures to follow the requirements, or violations of prohibitions, contained in the above referenced laws. The results of our application of the stated procedure disclosed no material instances of noncompliance with the provisions of the referenced laws in the Offices of **Mayor** and **Recorder/Treasurer** and the following material instances of noncompliance with the provisions of the referenced laws in the Offices of **City Court Clerk** and **Director of Public Safety**. Materiality is defined as noncompliance findings having a significant impact on the accounting records and/or operations of the City.

The City Court Clerk did not prepare court reports and court dockets as required by Ark. Code Ann. 16-10-209 and 16-10-206, respectively. The Director of Public Safety did not file the completed traffic ticket books with the City Court Clerk as required by Ark. Code Ann. 16-10-207.

The additional procedures and associated findings for the City of Sulphur Springs Department of Public Safety Fire Division Fundraising Account and other matters are as follows for the period November 14, 2001 through June 1, 2003:

Cash in Bank

1.
 - a. Determine if an authorized person had control of the bank account.
 - b. Prepare a bank reconciliation and proof of cash.
 - c. Confirm the cash on deposit with the depository institution.
 - d. Compare the bank reconciliation balance with the book balance.

We found the following exceptions as a result of the above procedures:

The Sulphur Springs Department of Public Safety Fire Division Fundraising Account was established by and under the control of the Department of Public Safety Director, Tim Franks, without obtaining City Council authorization. The bank balance exceeded the book balance by \$95.96.

Receipts

2.
 - a. Review, schedule and total all receipts.
 - b. Compare total receipts issued with the proof of cash.
 - c. Determine the sources of receipts for the bank deposits to the City of Sulphur Springs Department of Public Safety Fire Division Fundraising Account.

We found the following exceptions as a result of the above procedures:

Receipts were not issued for most items received, and a cash receipts journal was not maintained.

We were unable to determine the sources of receipts and if the revenues deposited to the account were intended for the fundraising account.

Disbursements

3.
 - a. Compare total disbursements per journal to proof of cash.
 - b. Schedule all disbursements and examine canceled checks to determine proper payee, endorsement, amount and date.
 - c. Review invoices to determine if disbursements were authorized and documented.
 - d. Determine if communication equipment purchased was in the possession of the City.

We found the following exceptions as a result of the above procedures:

There were no journals or totals for disbursements.

Three (3) pagers purchased could not be accounted for by City personnel.

Five (5) checks totaling \$335.05 were not documented but had an apparent business purpose.

We also noted four other checks issued without an invoice or other supporting documentation as follows:

Check 1033 in the amount of \$950.00 was recorded as being to the "Bank of Gravett" but was actually issued to "Tim Franks". This check was apparently used to pay for supplies and small equipment items installed on the new fire truck.

Check 1039 was issued to "Roberta Radley" (Tim Franks' wife) in the amount of \$400.00. Mr. Franks stated this was an instructor fee for a First Responder class to be held the month after the check was issued.

Check 1040 for \$700.00 did not indicate a payee nor was the check posted to account records. Tim Franks stated he received this money and used it to pay for books for a First Responder class.

Check 1041 in the amount of \$568.86 was issued to "Bank of Gravett – Cash". Apparently, \$500.00 of this money was given to a donor requesting a refund after the dismissal of Tim Franks as Director of Public Safety. The remaining \$68.86 was disputed.

Contracts

4.
 - a. Determine the status of the contracts entered into by the Department of Public Safety Director.
 - b. Determine if donations collected for fire extrication equipment were used for their intended purpose

We found the following exceptions as a result of the above procedures:

Tim Franks, Director of Public Safety, entered into the following two (2) contracts.

Cingular Wireless Telephone Contract:

This was a contract for seven (7) cell phones, with a monthly charge of \$159.99 each, that were apparently used by the following people:

Department of Public Safety Director Tim Franks
Roberta Radley (Tim Franks' wife)
Water and Sewer Department Director
Four (4) other members of the Department of Public Safety

The original balance at the termination of this contract was \$5,456.81 and the remaining balance owed to Cingular, after Cingular's adjustments, was \$2,299.68. We were unable to determine if the phone usage was entirely for a business purpose.

Casco Industries Contract:

This contract was for an extrication device, and attachments known as the "Jaws of Life". This equipment was to be paid for with City funds, and donations to the fundraising account. We were unable to determine if bank deposits to the fundraising account totaling \$10,607.17 were intended for the fundraising account. We were able to determine that \$1,350.00 deposited to the fundraising account was collected for the "Jaws of Life". The City paid \$575.00 on this contract from the fundraising account. The City paid for the remaining \$12,490.00 of this contract from their Community Development and Public Safety Funds in 2002 and 2003. The balance of the funds collected for the "Jaws of Life" were used for other purposes within the fire department.

The Mayor, Greg Barber, and the Director of Public Safety, Tim Franks, entered the following contract:

Fire Truck:

The City arranged for the purchase of a fire truck from Central States Fire Apparatus, LLC to be financed by Kansas State Bank of Manhattan, Kansas. The total contract of \$91,357.00 was to be paid in six (6) annual lease payments as follows:


October 2002	\$ 14,177.63
October 2003	14,177.63
October 2004	14,177.63
October 2005	14,177.63
October 2006	14,177.63
October 2007	<u>38,357.34</u>
Total	<u>\$109,245.49</u>

The first payment was made as scheduled. This fire truck was sold to the City of Gentry in October 2003 and the City of Gentry assumed the lease contract liability.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee and City management and is not intended to be and should not be used by anyone other than these specified parties.

DIVISION OF LEGISLATIVE AUDIT


Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
June 14, 2004
LOM217802

City of Sulphur Springs, Arkansas

**Compiled Financial Statements and
Accountant's Compilation Report**

December 31, 2002

Mayor: Greg Barber
Recorder/Treasurer: Gloria Kruse

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF SULPHUR SPRINGS, ARKANSAS
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FOR THE YEAR ENDED DECEMBER 31, 2002

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Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

ACCOUNTANT'S COMPILATION REPORT

City of Sulphur Springs, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

We have compiled the accompanying financial statements as of and for the year ended December 31, 2002 as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on a modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures and the financial activities of the Water and Sewer Department ordinarily included in financial statements prepared on the modified cash basis of accounting. If the omissions described above were included in the financial statements, they might influence the user's conclusions about the City's assets, liabilities, fund equity, receipts, disbursements and changes in fund balances. Accordingly, these financial statements are not designed for those who are not informed about such matters.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in blue ink, appearing to read "Charles L. Robinson".

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
June 14, 2004
LOM217802

CITY OF SULPHUR SPRINGS, ARKANSAS
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY - MODIFIED CASH BASIS
DECEMBER 31, 2002

Exhibit A

	Governmental Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Trust and Agency	General Fixed Assets	General Long- Term Debt	December 31, 2002
ASSETS						
Cash and cash equivalents	\$ 48,472	\$ 55,557	\$ 15,867			\$ 119,896
Investments (Certificates of deposit)		47,324	9,581			56,905
Land				\$ 9,121		9,121
Buildings				66,592		66,592
Equipment				388,161		388,161
Amount to be provided for retirement of general long-term debt					\$ 81,007	81,007
TOTAL ASSETS	\$ 48,472	\$ 102,881	\$ 25,448	\$ 463,874	\$ 81,007	\$ 721,682
LIABILITIES AND FUND EQUITY						
Liabilities:						
Payroll taxes withheld	\$ 1,496					\$ 1,496
Bonds, fines and costs pending			\$ 11,527			11,527
Lease-purchase agreements payable					\$ 81,007	81,007
Total Liabilities	1,496		11,527		81,007	94,030
Fund Equity:						
Investment in general fixed assets				\$ 463,874		463,874
Fund balances:						
Reserved:						
Employees' pension benefits			13,921			13,921
Unreserved:						
Undesignated	46,976	\$ 102,881				149,857
Total Fund Equity	46,976	102,881	13,921	463,874		627,652
TOTAL LIABILITIES AND FUND EQUITY	\$ 48,472	\$ 102,881	\$ 25,448	\$ 463,874	\$ 81,007	\$ 721,682

See Accountant's Compilation Report.

CITY OF SULPHUR SPRINGS, ARKANSAS
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUND TYPES - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2002

Exhibit B

			Totals (Memorandum Only)
	General	Special Revenue	Year Ended December 31, 2002
RECEIPTS			
Intergovernmental revenues - state	\$ 10,229	\$ 58,684	\$ 68,913
Property taxes	13,710	1,650	15,360
Franchise taxes	11,163		11,163
Sales taxes	95,120		95,120
Fines, forfeitures and costs	82,407	403	82,810
Interest	348	1,399	1,747
Local permits and fees	808		808
Sale of land	39,900		39,900
Contributions from water department	8,227		8,227
Other	5,192	13,601	18,793
Transfers in	400		400
	<u>267,504</u>	<u>75,737</u>	<u>343,241</u>
TOTAL RECEIPTS			
	<u>267,504</u>	<u>75,737</u>	<u>343,241</u>
DISBURSEMENTS			
Current:			
General government	79,559		79,559
Law enforcement	140,688	5,553	146,241
Highways and streets		24,818	24,818
Public safety	12,705	10,635	23,340
Recreation and culture	2,951		2,951
Total Current	<u>235,903</u>	<u>41,006</u>	<u>276,909</u>
Debt service:			
Principal reduction on capital lease	581	9,344	9,925
Interest imputed on capital lease	26	4,834	4,860
Transfers out		400	400
	<u>236,510</u>	<u>55,584</u>	<u>292,094</u>
TOTAL DISBURSEMENTS			
	<u>236,510</u>	<u>55,584</u>	<u>292,094</u>

CITY OF SULPHUR SPRINGS, ARKANSAS
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUND TYPES - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2002

Exhibit B

			Totals (Memorandum Only)
	General	Special Revenue	Year Ended December 31, 2002
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 30,994	\$ 20,153	\$ 51,147
FUND BALANCES - JANUARY 1	15,982	82,728	98,710
FUND BALANCES - DECEMBER 31	<u>\$ 46,976</u>	<u>\$ 102,881</u>	<u>\$ 149,857</u>

See Accountant's Compilation Report.

CITY OF SULPHUR SPRINGS, ARKANSAS
STATEMENT OF PLAN NET ASSETS - FIREMEN'S PENSION TRUST FUND -
MODIFIED CASH BASIS
AS OF DECEMBER 31, 2002

Exhibit C

	<u>Total</u> <u>December 31,</u> <u>2002</u>
ASSETS	
Cash and cash equivalents	\$ 4,340
Investments:	
Certificates of deposit	<u>9,581</u>
 TOTAL ASSETS	 <u>13,921</u>
 FUND BALANCE RESERVED FOR EMPLOYEES' PENSION BENEFITS	 <u><u>\$ 13,921</u></u>

See Accountant's Compilation Report.

CITY OF SULPHUR SPRINGS, ARKANSAS
STATEMENT OF CHANGES IN PLAN NET ASSETS - FIREMEN'S PENSION TRUST FUND -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2002

Exhibit D

	Total Year Ended December 31, 2002
ADDITIONS	
Contributions:	
Employer	\$ 400
Other sources - state funds	2,033
Plan member	12
Total Contributions	<u>2,445</u>
Investment income:	
Interest	<u>324</u>
TOTAL ADDITIONS	<u>2,769</u>
DEDUCTIONS	
Benefits	1,920
Administrative expense	<u>68</u>
TOTAL DEDUCTIONS	<u>1,988</u>
NET INCREASE	781
FUND BALANCE RESERVED FOR EMPLOYEES' PENSION BENEFITS	
BEGINNING OF YEAR	<u>13,140</u>
END OF YEAR	<u><u>\$ 13,921</u></u>

See Accountant's Compilation Report.